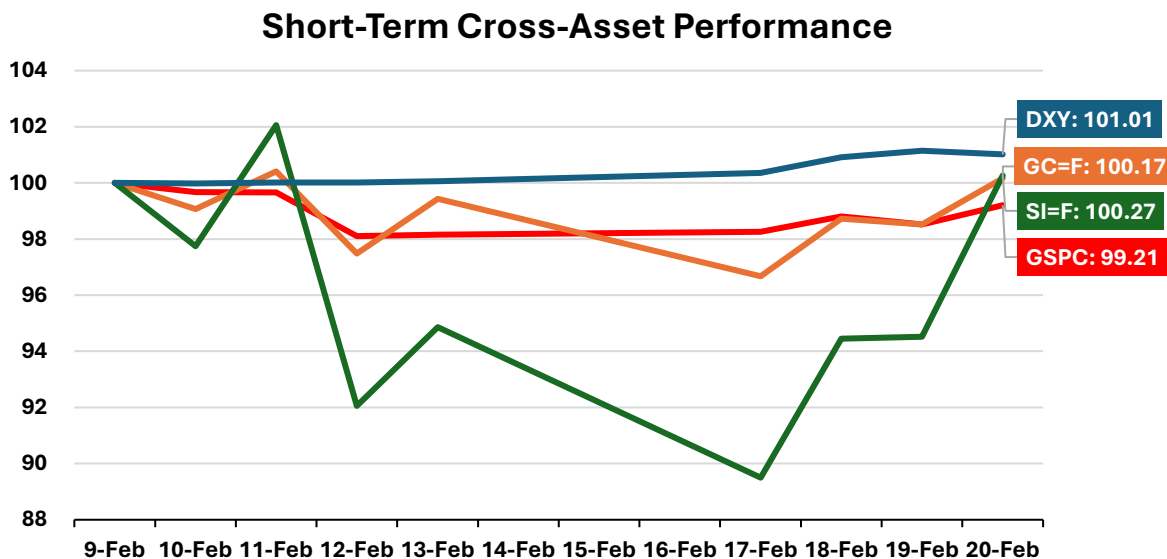


Markets This Week Ahead of the Open

Key Takeaways

- Equities and Treasury yields rallied on Friday as markets reacted favorably to the Supreme Court's decision to strike down the administration's broad emergency tariffs
- Safe-haven assets, including gold and silver, rallied to close the week higher as escalating geopolitical tensions between the U.S. and Iran drove investors toward defensive positions
- Fourth-quarter GDP growth decelerated to 1.4%, as the combined impact of the federal government shutdown and a contraction in domestic consumption & exports eroded broader economic momentum

After a slow month following the “software sell-off” markets have slowly started to rebound following recent macroeconomic developments. The shift in sentiment began during the prior trading week, catalyzed by a robust jobs report and an inflation reading that met market expectations. These data points collectively reinforced a 'higher-for-longer' narrative, propelling equities, yields, and the dollar higher. Market gains continued this past week, bolstered by the release of fourth-quarter GDP data and the minutes from the Federal Reserve’s January meeting. While the FOMC minutes reinforced a hawkish policy stance, the Q4 GDP report revealed an underlying resilience in the private sector, as robust consumer demand and business investment largely offset the significant deceleration caused by the federal government shutdown.



The impact of these developments was further amplified following the Supreme Court's decisions to strike down the tariffs enacted by President Trump under the IEEPA Act. Following this decision, market participants have placed increased emphasis on the prospective implications for both consumers and producers, specifically those that had initiated refund claims prior to the ruling. Outside of domestic affairs, international relations have also started to take the spotlight, as rising tensions among the U.S. and Iran sent precious metals and oil futures higher to end the week.

Looking Ahead

Moving forward, greater emphasis should be placed on how these developments continue to shape investor sentiment and asset allocation decisions. While the rapid expansion of artificial intelligence has helped support a relatively resilient macro backdrop, it has also led investors to question the broader implications for companies making substantial investments today. That shift in thinking contributed to the "software sell-off" seen earlier this month, as the market began reassessing valuation levels and the timeline for monetization.

Importantly, the change in sentiment was not limited solely to companies indirectly impacted by AI-related developments. It has also extended to the hyperscalers driving much of this buildout. Although firms such as Amazon, Alphabet, and Meta continue to be viewed as dominant players within the technology sector, investors remain increasingly focused on the scale of their capital expenditures and the manner in which those investments are being financed. Concerns surrounding free cash flow, return on invested capital, and margin pressure have prompted a more selective approach.

In light of these dynamics, capital flows appear more inclined to favor semiconductor companies, which are positioned to benefit more immediately from elevated AI-related spending. At the same time, a firm macro environment has supported continued interest in cyclical sectors such as industrials, energy, and materials, particularly those tied to real-asset exposure.

Whereas prior market behavior reflected broad enthusiasm toward nearly all AI-related developments, elevated spending levels and questions around long-term implications have introduced greater scrutiny. Investors are now differentiating between infrastructure providers that directly monetize AI demand and companies facing longer payback periods. As a result, emphasis remains firmly placed on both AI-related developments and incoming macroeconomic data, as market participants look for clearer signals to guide positioning.